

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 2323 – SB 2443**

March 16, 2016

**SUMMARY OF ORIGINAL BILL:** Enacts the Health Care Empowerment Act. Authorizes direct primary care membership agreements. Defines “direct primary care membership agreement” as a written contractual agreement between a primary care provider and an individual patient, or the patient’s legal representative, in which:

- the provider agrees to provide primary care services to the individual patient for an agreed fee over an agreed period of time;
- the direct primary care provider will not bill third parties on a fee-for-service basis;
- any per-visit charges under the agreement will be less than the monthly equivalent of the periodic fee;
- the agreement described the scope of primary service that is covered by a periodic fee
- the agreement contains a statement that the agreement does not constitute health insurance;
- the agreement specifies the duration of the agreement, including automatic renewal periods; and
- the patient is not required to pay more than twelve months of the fee in advance.

Specifies that a patient or legal representative will not forfeit insurance benefits, TennCare benefits, or Medicare benefits by purchasing medical services or medical products outside the system. Further specifies that a direct primary care membership agreement is not a discount medical plan. Authorizes either party to terminate the agreement upon written notice to the other party.

**FISCAL IMPACT OF ORIGINAL BILL:**

NOT SIGNIFICANT

**IMPACT TO COMMERCE OF ORIGINAL BILL:**

Other Business Impact - Direct primary care providers are likely to experience: (1) a decrease in business expenses as they move away from claims submission processes; (2) a decrease in business revenue as fees charged under direct primary care membership agreements are anticipated to be lower than what such providers would otherwise charge; and (3) increased net profits.

Insurance providers may see a transition to high-deductible policies; and as a result could experience: (1) a decrease in business expenditures as providers will receive

fewer claims for received services; (2) a decrease in business revenue as customers transition to high-deductible policies and pay lower premiums; and (3) decreased net profits.

There could be a decrease in Tennessee jobs due to primary care providers and potentially insurance providers eliminating positions dealing with insurance claims. However, the extent of any such potential decrease cannot be determined with reasonable certainty.

**SUMMARY OF AMENDMENT (014097):** Changes the effective date from July 1, 2017 to July 1, 2016.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- Under the proposed legislation, direct primary care membership agreements are not considered insurance and will not be subject to regulation by the Department of Commerce and Insurance.
- The proposed legislation authorizes direct primary care membership agreements that would function outside of the parameters of insurance plans; therefore any fiscal impact to the Bureau of TennCare would be not significant.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- The Direct Primary Care Coalition estimates that 40 percent of primary care revenues are spent on personnel submitting claims to insurance companies.
- Direct primary care (DPC) is financed by direct payment, outside of insurance, primarily in the form of a monthly fee. Physicians are able to retain these fees and offer services at a cheaper rate without the additional costs from processing insurance claims.
- DPC providers are able to see fewer patients and recapture costs sooner because of the reduced personnel required to process claims.
- DPC providers will see a reduction in expenses and revenue, but increased profits.

- Insured patients who receive care from direct primary care physicians can typically receive reimbursement from insurance carriers for care received in a DPC practice via the claims process.
- Patients still need coverage for hospitalization and other catastrophic events.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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